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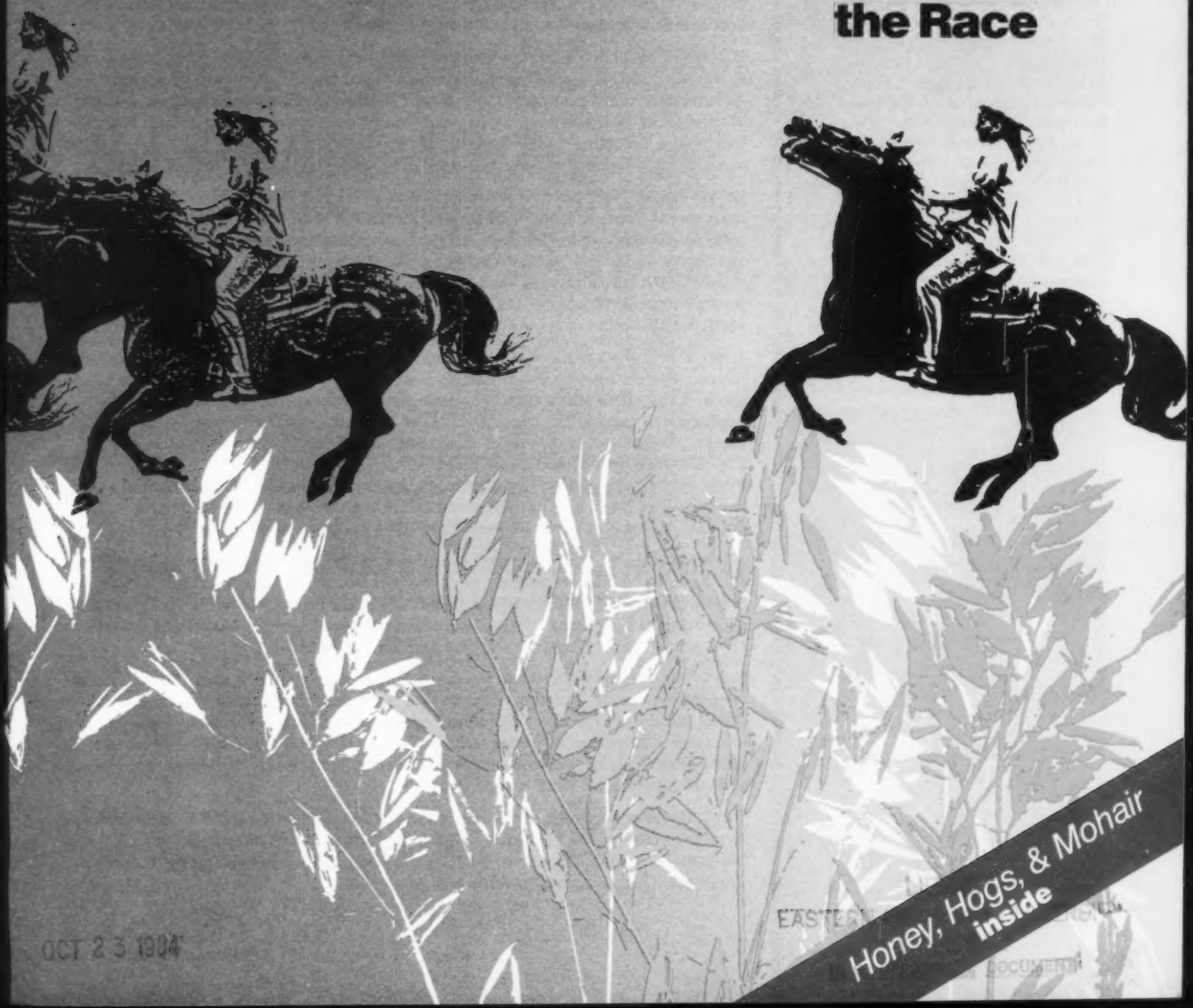
Oats: Out of the Money, But Still in the Race



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Honey, Hogs, & Mohair **inside**

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PERSPECTIVES

LARGE WHEAT HARVESTS, here and abroad, are dampening any hopes for a turnaround in wheat prices, according to ERS economist Allen Schienbein. Mid-August forecasts put U.S. production at about 2.53 billion bushels, up nearly 110 million bushels from the 1983 crop and the third largest U.S. harvest ever. Wheat harvests in Australia, Argentina, and Canada may all be down from 1983 levels, but a bumper crop is expected in the European Community. When U.S. and foreign output is combined, look for another record world crop—the fourth in 4 years—with total wheat production tentatively pegged at around 18.1 billion bushels.

A cool, wet spring delayed the development of the U.S. winter wheat crop, but conditions turned around by July allowing producers to harvest at a normal pace. An estimated 51 million acres of winter wheat were harvested this year, compared with 47.6 million acres in 1983. Early forecasts of considerably lower yields did not materialize. The August crop report indicated that winter wheat yields averaged about 40.1 bushels an acre, second only to the 1983 high of 41.8 bushels. Production is estimated at just over 2 billion bushels, about 81 percent of total U.S. wheat production, which includes both winter and spring wheats. Spring wheat output appears to be up more than 50 million bushels from 1983.

U.S. wheat supplies will be down just slightly from the record 3.94 billion bushels available in the 1983/84 marketing season, which ended May 31. Although production is up, inventories at the beginning of the current 1984/85 season were smaller than inventories at the start of 1983/84. Imports, as usual, will be no more than a few million bushels. Inventories, production, and imports make up the season's supplies. Supplies first went above the 3.9-billion-bushel mark in 1982/83, and this season will be three in a row.

On the demand side, use is likely to exceed this year's production by a small margin. Exports should improve some, reflecting an upturn in overall world wheat trade. Poor prospects for the Russian harvest have put the Soviets in a buying mood. Between June 1 and September 1, they had contracted for about 4.8 million metric tons of American wheat. USDA forecasters say the Soviets may buy a record 24 million tons of wheat from all sources this season. They are obligated to purchase a minimum of 4 tons of wheat from us each fiscal year under the current trade agreement.

Another year of strong feed demand is expected because wheat prices are low enough to remain competitive with corn. Domestic markets, however, aren't expected to take much, if any, more wheat than last season for food, feed, seed, and other uses. With smaller inventories at the start of this year and the anticipated increase in export demand, inventories at the end of this season should drop for the second consecutive year. Declining inventories are normally bullish for prices, but not at current inventory levels. Analysts predict that next spring, when the 1985 winter wheat harvest is getting underway, we'll still have enough wheat left over from previous harvests to meet U.S. domestic and export needs for more than half a year.

All this means that farm prices will probably average a few cents above the loan rate of $3.30 per bushel and are unlikely to exceed last season's average price. In their mid-August projections, USDA analysts set a U.S. average price range of $3.30-$3.55 for the 1984/85 marketing season. Prices last season averaged $3.54 per bushel, the lowest since 1978, and 11 cents below the 1983/84 loan rate of $3.65.

Planting of next season's winter wheat crop has already started in many areas. Growers must make planting decisions based on their price expectations, the choices available to them, and the provisions of the winter wheat program. Major program features: a voluntary 20% acreage reduction and a 10% cash land diversion. There is no payment-in-kind option, a major part of both the 1983 and 1984 programs. The target price remains at $4.38 a bushel and the loan rate at $3.30.

Will producers cut plantings to improve next year's price prospects? "A lot depends on how they view the 1985 program," says Schienbein. "The winter wheat crop will be in the ground by early December. We'll have a good idea of overall acreage before Christmas. Then, the weather takes over."

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FARMLINE

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Practical economic intelligence from USDA's Economic Research Service

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Rising honey stockpiles are creating a buzz about a price support program that was once considered noncontroversial. Until a few years ago, there were no significant honey surpluses on government hands. Now, stocks are growing and costs are climbing, but there's more than honey at stake. It may be a case of protecting a key crop pollinator—the honeybee.

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The hog industry has trimmed down and, some say, shaped up. Today's industry is made up of fewer and larger operations than ever before—operations that draw heavily on capital intensive technologies to produce a leaner hog. For many producers, the changes in consumer tastes, greater competition from other meats, and economic ups and downs have meant getting larger or getting out.

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In parts of Texas, mohair and the Angora goats that produce it are big business. Many goat ranchers are hanging on even though mohair has lost a lot of ground to cotton and manmade fibers. They know that markets are limited, but they're working to make sure the luxurious mohair has a place in the future fashion scene.

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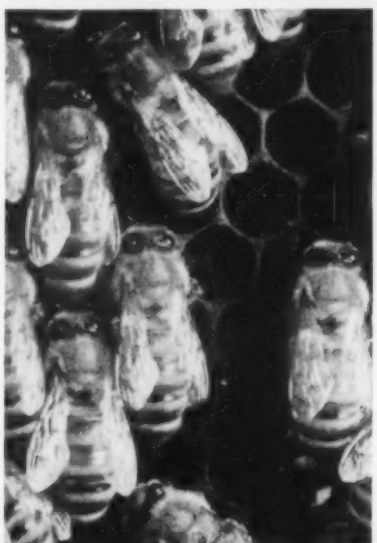

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Oats Are Down, But Not Out

In the days of milk wagons and sulky plows, oats ranked near the top among field crops.

During the 1960's and 1970's, it would have been easy to conclude that oats were finally going the way of horse-drawn carriages, milk wagons, and sulky plows.

Yet, today, the fate of the oat appears reasonably secure, albeit in a much-diminished role. Even this year's prospect for the smallest crop of the century doesn't seem to worry those who manufacture oat-based products, which range from horse feed to breakfast cereal.

Markets are calm, the oat users say, because the stocks carried over from last season are relatively large, the 1984 crop quality looks very good, and higher oat prices may encourage a bigger crop next year.

Farmers planted an estimated 12 million acres this spring, less than they've devoted to oats in more than 100 years. In August, with the harvest well underway in most major producing states, USDA analysts forecast 1984 production at around 455 million bushels. That's a tad short of the 1980 crop, the smallest harvest since 1881.

How far has the once-mighty oat fallen? Compare 455 million bushels with the production record of 1.5 billion bushels set in 1945, when horses still outnumbered tractors on U.S. farms.

In fact, oat harvests continued to exceed a billion bushels each and every year until 1963, but a trend was already becoming evident. Oats were losing ground as farms became more mechanized and specialized and as demand grew for corn, wheat, soybeans, and other cash crops. In the early 1950's, 4 to 5 bushels of oats were harvested for every 10 bushels of corn. Thirty years later, it's less than 1 bushel for every 10 of corn.

"Oats once ranked near the top among U.S. field crops," says USDA economist Mack Leath of the Economic Research Service. Leath is a feed grains analyst working out of the University of Illinois at Urbana. By the mid-1970's, he adds, oats had slipped to 12th place in terms of value of production. The crop now accounts for only about 3 percent of U.S. harvested acreage.

Oats, however, are not expected to fade out of the agricultural scene in the foreseeable future, according to Leath.

"Both production and demand," he says, "seem to have stabilized at around a half-billion bushels a year over the last several years. In my opinion, we're unlikely to see any significant dropoff from this level through the rest of the decade."

Losing Ground on the Farm Front

USDA statistical reports list 36 states in which oats are currently grown for grain, but around 65 percent of U.S. production comes from just five states—South Dakota, Minnesota, North Dakota, Iowa, and Wisconsin. It's a popular crop in cooler areas because the oat plant has a relatively short growing season and can tolerate frost.

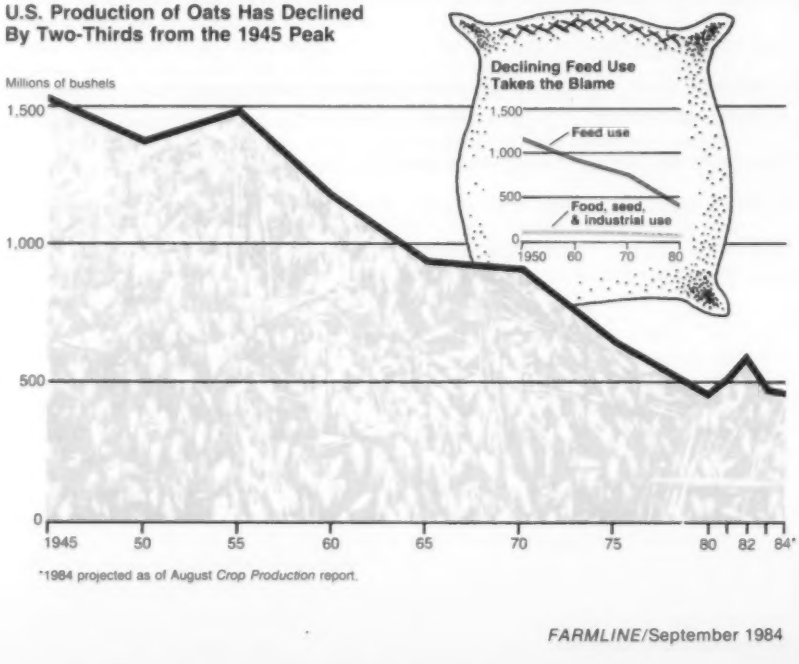
Leath says that oats "now compete with barley and wheat for available cropland. Soybeans have already replaced oats throughout much of the Corn Belt."

Soybeans have a higher feed value and usually offer farmers greater profits. Also, as Corn Belt farming made the transition from diversified crop-livestock operations to specialized cash crop production, acreage shifted from oats into soybeans and corn. Specialized crop farmers didn't need oats as an on-farm livestock feed, and the demand for oats as a cash sales crop has never been great enough to take more than a few hundred million bushels a year. Farm sales of corn and soybeans are measured in the billions of bushels.

"In 1969," Leath says, "oats were harvested on 463,000 commercial farms (with annual sales of $2,500 or more). By 1978, a brief 9 years later, the number was down 35 percent to 303,000 farms."

"Oats are not profitable when compared with corn or soybeans, and that's why farmers have stopped growing them," observes Lee Boyd, vice president for feed control and nutrition with the Amer-

U.S. Production of Oats Has Declined By Two-Thirds from the 1945 Peak



*1984 projected as of August *Crop Production* report.

ican Feed Manufacturers Association. "Oats probably won't get you back your costs of production."

Stagnant yields were part cause—and part effect—of deteriorating profitability and demand. In the 1950's, oat yields were nearly a match for corn, with oats averaging 30 to 45 bushels an acre nationwide and corn averaging between 35 and 55 bushels. All that has changed. The record U.S. average yields, both set in 1982, are now 113 bushels an acre for corn and just 58 bushels an acre for oats.

Oat yields have languished for several reasons, according to Leath. Less than 2 percent of the producers irrigate their oats, he says, and commercial fertilizers are used on only 35 to 40 percent of the acreage. Oats have also suffered from neglect on the scientific front.

"The decline of oats as a major field crop has reduced the investment in research to improve plant breeds and production practices. Meanwhile, major investments in research have contributed to higher yields in corn, barley, and wheat," he explains.

Where Oats Are Still King

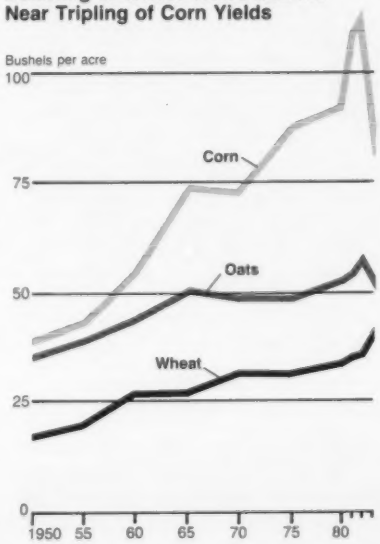
Today, oats remain a preferred feed for horses and mules, and many dairy and hog farmers regularly include some oats in the rations of breeding animals and young stock, Leath says. The oat advantage in these cases is its high fiber content.

Otherwise, oats are usually not the favored feed in terms of cost or nutrient content. Although oats are higher in protein than corn and other feed grains, they are lower in the carbohydrates needed to put weight on a meat animal. As a protein feed, they generally get passed over because oilseed meals and grain byproduct feeds are a more economical source of protein.

Today, roughly three-fifths of the crop is still used right on the farm where it's grown or sold directly to neighboring farms for feed or seed. Another 100 million bushels or more are bought each year by feed manufacturers for commercial horse feed and starter rations for calves and pigs.

The kernel ends up in oatmeal, several dry breakfast cereals, granola bars, and other food products.

Oats Did Not Keep Pace with the Doubling of Wheat Yields and the Near Tripling of Corn Yields



Beyond the feed and seed uses, around 45 million bushels a year go to the oat milling industry. The hulls are removed and sold back to feed manufacturers. The kernel is processed into several edible forms, including rolled oats, steel-cut oatmeal, ground oatmeal, and instant oats. The consumer may find the processed, high-protein kernel in oatmeal, of course, as well as several dry breakfast cereals and some other products such as granola bars and specialty breads. Leath estimates that the average American consumes about 3.2 pounds of oats a year, a figure that has remained fairly constant since 1967.

Overall demand by both feed manufacturers and food processors has held relatively steady in recent years, he says. About 200 million or so bushels a year go into marketing channels, including a couple million bushels in exports.

Just a few years ago, the small 1980 crop—and prospects for another small crop and tight supplies in 1981—had some of the oat users worried, primarily the food manufacturers who depend on higher quality, harder-to-get milling grade oats. So far, however, this season's supply outlook does not seem to be bringing back those fears.

Will There Be Enough?

"I've never heard of anybody in a panic over oats," says Lee Boyd, speaking for feed manufacturers.

"I'm not at all concerned," echoes Carl Caudill, manager of purchasing for the feed division for Southern States Cooperative. Southern States, he says, buys oats basically as a horse feed ingredient.

Caudill has some convincing reasons not to worry. He notes that USDA estimates put this season's June 1 stocks at 181 million bushels—enough to meet

prospective market demand for 4 months —and projected season-ending stocks next May 31 at 148 million bushels, a 3-month supply. "You look at stocks as a percent of use, and oats are in a much better supply position than either corn or soybeans," he points out.

"Secondly," he says, "multinational companies have developed a rather aggressive import policy." In the 1983/84 season, U.S. oat imports reached 30 million bushels. Canada is our major supplier, but Finnish and Swedish oats also came into the country this year.

The situation may be somewhat different for the food processors who use oats. Phillip Sisson, director of agricultural economics for the Quaker Oats Company, says his company is more dependent on the domestic side. The imported oats are generally too low in protein for the company's food products, he says. Nevertheless, Sisson, too, expects "no real problem in ensuring sufficient supplies of oats for milling."

The proportion of the crop used for food is fairly small in relation to the total, he says. "Also, it looks like we'll wind up with a crop fairly high in quality. In fact, it's probably the best crop most of us can remember seeing in terms of milling quality oats."

Years ago, when farmers were harvesting much larger crops, maybe 25 percent of the crop would be milling quality, he continues. "On the basis of what we've seen so far (in the four-state area where Quaker Oats buys), it looks as if 75 percent or more of this year's crop may be of milling quality."

Relying on Prices

Prices are running somewhat higher than they were last season. Sisson reports that recent bids at Cedar Rapids were up 20 cents a bushel from a year ago, and bids at Minneapolis were up 15 cents. The higher prices are consistent with USDA forecasts. In August, USDA analysts projected a 1984/85 season average oats price in the range of $1.65 to $1.95 a bushel, compared with last season's U.S. average of $1.69.

"As long as price is allowed to perform its market-adjusting role," says Leath, "I think we can expect a fairly well balanced supply-demand situation for oats in the years ahead."

"It's the old law of supply and demand," adds Lee Boyd of the feed manufactur-

A 38-horse team is used to harvest wheat in Walla Walla, Washington, 1902.

Oats Are for Horses

The fate of the oat was, to a large extent, tethered to the fate of the work horse.

USDA counted 25 million horses and mules on American farms in 1920, a figure that didn't include all the draft animals pulling wagons and performing other chores in cities and towns. Although the peak in oat production came much later, the record for harvested area was set in 1921 at 45½ million acres.

Over the next few decades, gasoline and diesel power replaced four-legged horse power, and the number of horses on farms dwindled to only 3 million by the 1959 Census of Agriculture. Maybe another million or so horses were quartered off the farm. It was shortly thereafter that USDA stopped counting the nation's farm horses as it had been doing each year for nearly a century.

The horse has since made something of a comeback. Today, pleasure horses can be found all across the country at riding stables, saddle clubs, boarding farms, race tracks, rodeos, and horse shows. These horses far outnumber the work horses still used on many Western ranches and even on some very traditional or back-to-basics crop farms.

The American Horse Council, an association for those with commercial or recreational interests in horses, estimates the U.S. horse population at 8,463,000. That's consistent with most current estimates, which range from about 7½ to 8½ million, according to Dixon Hubbard, an animal scientist with USDA's Extension Service.

There may be twice as many horses now as there were back in 1959, but the comeback for horses has not meant a resurgence in demand for oats. Oats provided much of the protein needed by the heavy draft animals of yesteryear. Pleasure horses are distinctly different critters, lighter in weight and generally living a less rigorous life.

"Oats," says Hubbard, "are still a major staple for horses being fed out of a bag, but many horses are on grass. They're not necessarily put in a stall and fed special rations like purebred race and show horses." Even then, he adds, oats are only part of the diet.

ers association. "If more oats are needed, prices will be bid up."

Quaker Oats wants to do more than rely on the uncertainties of the marketplace. USDA economist Janet Livezey recently returned from a research tour of company facilities. She reports that company officials would like to see scientists and economists pay more attention to oats so that yields and profitability can be improved. The company does conduct its own research and also offers an education and outreach program.

"Quaker Oats," she says, "is working with Future Farmers of America and other farm groups to encourage the production of oats and to help them find ways to grow oats with greater assurance of a profit." □

[*Based on information provided by economist Mack Leath of the National Economics Division, Economic Research Service, and several other sources.*]

Do We Need Price Supports?

Although you can bet that oats won't be overlooked in deliberations over the next farm bill, farm policy paid little attention to oats for many years.

Oats were largely ignored in the federal farm programs of the 1930's, according to economist Mack Leath. The programs affected oats only indirectly by authorizing price supports and acreage adjustments for other feed grains.

Price support loans became available to producers of oats in 1945, but oats were still not given the parity price protections provided to the "basic" commodities. Mandatory price supports at 76 percent of parity were extended to oats in 1956 and not less than 70 percent of parity in 1957.

The voluntary diversion and direct payment programs of the 1960's were aimed at corn, sorghum, and sometimes barley—not oats. In 1973, when the target price concept was introduced, no specific provisions other than price support loans were provided for oats. That changed under the Food and Agriculture Act of 1977. The law permitted the Secretary of Agriculture, at his option, to provide target price protection for oats. Although targets were not set, oats did become eligible for the new farmer-owned reserve.

Then came the 1981 farm bill, and target prices for oats were established for 1982 through 1985. Deficiency and diversion payments were made for the first time on the 1983 crop. Payments totaled $13 million, with another $1 million in storage payments.

Leath points out that price supports, the farmer-owned reserve, and deficiency, diversion, and storage payments have mixed impacts on both producers and users of oats.

"The programs benefit producers of oats by helping to stabilize farm prices and enhance their farm incomes, but the benefits to these farmers should be viewed as costs to livestock producers who buy oat rations," Leath says. "Consumers benefit by having greater assurance of adequate supplies, but they pay somewhat more for oatmeal, red meats, and milk when programs bolster market prices for these products."

Also, he says, "program costs represent a transfer of income from taxpayers to the oat farming sector." Participating farms received an average of $321 each in 1983 program payments.

Leath is quick to admit that price supports for oats "may be desirable from the standpoint of providing oat producers with an equitable degree of price protection."

However, he also suggests that the supports may be unnecessary in terms of maintaining a reasonable balance between supply and demand. He explains that the market price for oats generally reflects its value in the feed market relative to corn and other feed grains. "If effective programs can be developed for corn and sorghum, the oat market will take care of itself," he contends.

Phillip Sisson of the Quaker Oats Company agrees—up to a point. He says he has no objection to the free market approach and believes that the market is the best "rationer of supply." But he does add an important qualification: Oats should receive equal treatment.

"We don't want a program of targets and loans for barley, wheat, and other competitive grains if there is not a program for oats," Sisson says. Asked about his company's position on the next farm bill, he responds, "We will be doing whatever we can to ensure that oats have a comparable-type program that you have for other feed grains."

It comes as no surprise to Mack Leath that even the oat is capable of generating strong policy opinions. "The question of whether to include oats in the realm of the corn-dominated feed grain programs of the future will be an issue in the debate over the 1985 farm bill," he predicts.

More Than Honey at Stake

Rising honey stockpiles are creating a buzz about a price support program that was once considered noncontroversial.

Until a few years ago, there were no significant honey surpluses on government hands. The honey program mainly provided beekeepers with low-interest operating loans that allowed them to use their honey as collateral. When beekeepers sold their crops, they repaid the government loans. Things worked so well, in fact, that the government accumulated no honey surpluses under the price support program during the 1970's.

In 1980, however, things changed. Surpluses began to pile up and, every year since then, government acquisitions and expenditures have grown dramatically. In one word, the problem might be summarized as price.

In 1981, for the first time ever, the U.S. government support price was higher than the wholesale price for extracted honey, according to USDA economist Frederic L. Hoff of the Economic Research Service. Some analysts contend that U.S. inflation pushed the support price to an artificially high level. Others say world prices did not keep pace with the U.S. support price because of lagging world demand. Whatever the cause, imports, particularly from Mexico and China, increased dramatically.

With no quotas on imports and only a 1-cent per pound tariff, U.S. processors could make more of a profit by purchasing cheaper foreign honey. The resulting surpluses in domestic output were handled in accordance with methods prescribed by the honey support program, ending up in government storage, either purchased outright or voluntarily forfeited by beekeepers under the terms of their loans. There is little incentive to repay loans if the loan price is as high as or higher than the market price.

The government acquired 6 million pounds of the 1980 honey crop at an estimated cost of $3 million. The following year, 39 million pounds worth $22 million were added to stocks; then, 75 million pounds of the 1982 honey crop were acquired at a cost of $45 million. USDA's Agricultural Stabilization and Conservation Service (ASCS) currently estimates that 115 million pounds, more than half of the 1983 honey crop, will be acquired by the government at a cost of around $72 million. Since raw honey is purchased under the program, additional government expenditures will be required to process and dispose of the stocks through donations to charity, the school lunch program, and other food assistance programs.

In one word, the problem might be summarized as price.

When compared with costs of other agricultural support programs, expenditures for honey appear insignificant. However, they have been rising and they're already quite large relative to the value of the honey crop. The entire 1983 crop was valued at only $125 million.

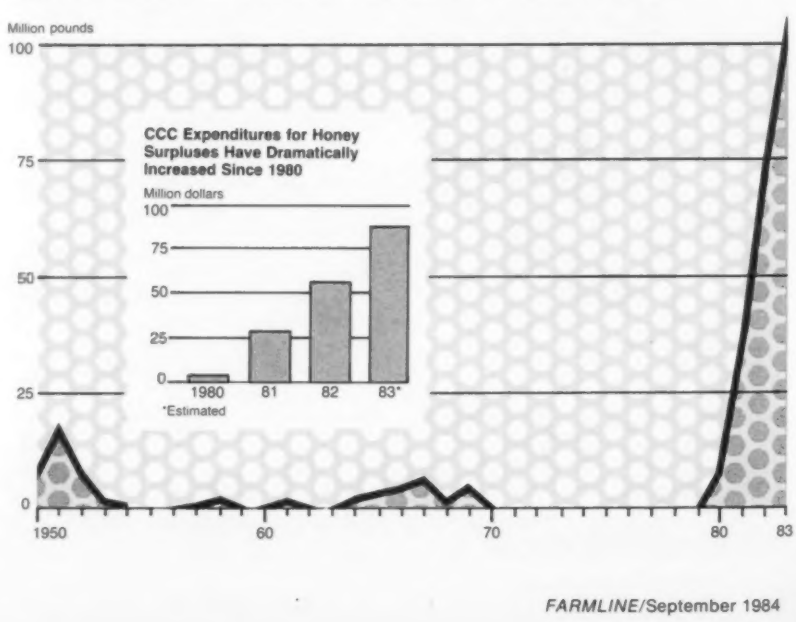
A Little History

Unlike most other support programs, price supports for honey did not originate during the Depression. The commercial honey industry was smaller in the 1930's. Cane sugar was the universal sweetener, and "domesticated" bees were valued primarily for their role in pollinating farm crops.

During World War II, sugar rationing opened more of a market for honey as it was substituted for cane sugar in processed foods. At the government's request, beekeepers went all out to increase colony numbers and honey production. Then, when sugar rationing ended after the war, honey's use and price dropped close to pre-war levels.

To preserve the domestic honey industry, a price support program was established by the Agricultural Act of 1949. By 1952, the current program had evolved. In the early years, the government accumulated stocks of honey, but by

Honey Surpluses: From Zero to Over 100 Million Pounds in 4 Years



1954 demand caught up with production and government storage was soon emptied.

Basically, the support program has two parts: purchases and loans. Although most of the program activity has centered around loans, purchase provisions allow beekeepers to sell their honey directly to USDA's Commodity Credit Corporation (CCC) at the support price. Loan provisions permit beekeepers to apply for loans that require the domestically produced honey crop as collateral. If market prices don't at least match the guaranteed support price, beekeepers may forfeit their honey crop instead of repaying their loans.

By using a formula, USDA determines a parity price, and the Secretary of Agriculture sets the support price within the legislated range of 60 to 90 percent of parity. For the past 12 honey crops, the support has been set at the minimum 60 percent. The support price has still risen each year, however, because of increasing input costs and other factors used in the parity pricing formula.

Today's Industry

The honey industry has evolved, like the rest of commercial agriculture, into a specialized farm enterprise. Commercial beekeepers (those with 300 or more hives) produce an estimated 60 percent of the domestic honey crop, although they account for only about 1 percent of the nation's 200,000 or more beekeepers.

The structure of commercial beekeeping can be divided into two groups: migratory and nonmigratory. Most commercial beekeepers relocate their bee colonies several times during the year to provide pollination services, to reach the most abundant sources of nectar, or often to escape damage from pesticides. By migrating, beekeepers can also provide their bees with a longer supply of nectar to extend the production season. The nonmigratory beekeepers seldom move their colonies over any significant distance.

A honeybee, covered in pollen, emerges from a Pima cotton blossom. Pollination of commercial crops is one good reason the honeybee is vital to the nation's agriculture.

A small group of beekeepers specialize in the production of queens and package bees. This tiny industry does not depend on honey production at all, but provides queens and bee colonies for new and replacement hives.

The remaining beekeepers fall into two more categories: hobbyists who have fewer than 25 hives; and part-timers, with 25 to 299 hives. These operations, for the most part, are too small to require a full-time beekeeper.

For many producers who specialize in commercial honey production, honey provides about 90 percent of their income from beekeeping. "Some beekeepers," Hoff says, "either supplement or earn a significant portion of their income from fees charged for pollination services on farms and in orchards."

More Than Honey At Stake

Pollination is one good reason why the bee industry is critically important to the nation's agriculture, and it's often used to help justify a federal support program for honey. Insect pollination is essential to the production of many crops, including apples, almonds, alfalfa, and cucumbers. According to USDA statistics, in 1973, about 3.5 million acres of fruits, vegetables, oilseeds, and legume seed crops produced in the United States were dependent upon insect pollination. Another 63 million acres derived some benefit from insect pollination.

Honeybees are the most reliable pollinators. Farmers cannot depend on wild bees and other pollinating insects to do the whole job, according to USDA scientist Hachiro Shimanuki of the Agricultural Research Service. "Wild bee populations have dramatically declined in the past few decades," he says. The reasons: the increasing use of pesticides and the destruction of natural habitats for bees as man changes the environment to suit his own needs.

The assurance of an adequate honeybee population depends on commercial beekeeping and, thus, on a profitable honey industry, Shimanuki says. "Since many beekeepers depend on honey for the vast majority of their income, the economic well-being of the honey industry will dictate the number of commercial beekeepers."

The industry already has some concerns about its future. Glen Gibson, a spokesman for the American Beekeeping Federation, says that members of his organization want import limitations and increased tariffs on honey to limit the competition from abroad. He contends that lowering the support price would push returns below the cost of production.

"We don't have a market at home, and we can't sell overseas because of prices. It's sell to the government at the support price or go out of business," Gibson says.

In 1976, the International Trade Commission recommended a 5-year plan of import restrictions and higher tariffs. At that time, however, President Ford decided it was not in the national economic interest to impose such restrictions.

Should import quotas now be used to restrict the quantity of honey entering the domestic market, even though such quotas seem to conflict with the objective of free trade? Hoff says this issue will almost certainly receive attention as the new farm legislation for 1985 is being developed. "When examining the honey program, it's likely that legislators will take a close look at program costs, imports, and the pollination issue," he says. □

[Based on information provided by agricultural economist Frederic L. Hoff of the National Economics Division, Economic Research Service.]

Federal Dollars Pump Up Rural Incomes

Money flowing from government to individuals has become a significant source of personal income for Americans, says economist Robert Hoppe of the Economic Research Service.

These "transfer payments," he adds, appear to play a more important role in the economies of nonmetropolitan areas than in metropolitan areas.

Transfer payments include not only public assistance, Food Stamps, and other income maintenance programs, but also Social Security, government and military retirement programs, Medicare, and federally subsidized education loans. These payments climbed from about 2 percent of total U.S. personal income in 1930 to 13 percent in 1979.

For the most part, the payments reflect a transfer of income from taxpayers to retired or economically disadvantaged people. Both the retired and the needy, says Hoppe, are likely to spend this income rather than save it, and most of their purchases will occur in the communities where they live. As a result, a change in transfer payments tends to have a greater impact on local businesses than changes in wages and salaries, a portion of which may go into savings or for purchases outside the local community.

Transfer payments are particularly important to economic activity in nonmetro counties. According to Hoppe, the role of transfer payments in a community can be measured in two ways: payments per capita based on the total population of an area; and payments as a percentage of total income in an area.

Metropolitan counties, he reports, received somewhat higher total payments per capita than nonmetropolitan counties in 1979. The difference was about $50. On the other hand, residents of nonmetro counties generally have lower incomes, so transfers made up a larger portion of total personal income in these areas than in metro counties. In 1979, the proportions were 12.3 percent for metro counties and 15.3 percent for nonmetro counties. In very rural counties, figures were as high as 18 percent of total personal income.

Metro Areas Receive Somewhat Higher Benefits Per Capita Than Nonmetro Areas, But Transfer Payments Make Up a Larger Share of Nonmetro Income

	Dollars per capita		Percent of personal income	
	Metro counties	Nonmetro counties	Metro counties	Nonmetro counties
Retirement				
Social Security	$456	$494	4.9%	6.8%
Railroad retirement/ disability	18	23	.2	.3
Federal employees' retirement	63	47	.7	.7
State and local government employees' retirement	68	47	.7	.6
Military retirement and veterans' pensions	96	95	1.0	1.3
Income maintenance				
Unemployment Insurance	46	45	.5	.6
Supplemental Security Income (SSI)	31	36	.3	.5
Aid to Families with Dependent Children (AFDC)	57	31	.6	.4
General assistance	7	2	.1	—
Food Stamps	28	31	.3	.4
Refugee assistance, Foster Home Care, Earned Income Tax Credit, and emergency assistance	5	6	.1	.1
Medical assistance				
Medicare	140	120	1.5	1.7
Workers' Compensation	13	9	.1	.1
Education				
NSF fellowships, other federal fellowships, interest subsidy on higher education loans, Basic Opportunity grants, and Job Corps payments	15	12	.2	.2
Education payments to veterans, dependents, and survivors	11	10	.1	.1
Other				
Miscellaneous transfer programs	99	98	1.1	1.4
Totals	**1,154**	**1,106**	**12.3**	**15.3**

All figures for 1979. Totals may not add exactly because of rounding. Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Soviet Diets, American Diets

How does the Russian diet compare with the American diet?

Based on available statistics for 1982, the Russian consumes roughly three times as much of both fish and potatoes, twice as much grain, and more milk and dairy products. The American diet, on average, includes twice as much meat, a third more sugar and sweeteners, over twice as much vegetable oil, and more fruits and vegetables.

These comparisons are generally consistent with other information on Soviet consumption, according to economist Anton Malish of the Economic Research Service. He cautions, however, that there are many ways to derive such estimates. "We do not know how the Soviets calculate per capita consumption, so we cannot be sure that their figures are directly comparable with ours," he says.

"We do know that the average Soviet diet offers less variety, and that it's higher in calories and starch and lower in protein and vitamins. This is not to say that it's an unhealthy diet, or that the American diet is the ideal."

Potatoes are plentiful in the USSR, and bread is so cheap and abundant that it is some-

Fruits and vegetables will be a lot more plentiful if 1990 Soviet goals are met.

Americans Consume More Meat, Sweets, and Fruit; the Russians More Fish, Grains, and Potatoes[1]

	U.S.	USSR
	lbs. per capita, 1982	
Meat, poultry, and animal fat	246.5[2]	125.7
Fish, fish products	12.3	40.6
Milk, dairy products	561.6[3]	650.4
Eggs (in dozens)	21.9	20.8
Grains	149.5	302.0
Potatoes	79.3	242.5
Sugar	134.0[4]	98.1
Vegetable oil	46.7	20.5
Vegetables and melons	235.1	222.7
Fruits and berries	131.6	92.6

[1]U.S. figures from ERS economist Karen Bunch; Russian figures are from Soviet sources and may not be calculated on a comparable basis. [2]Carcass weight. [3]Milk equivalent fat content basis. [4]Includes all sweeteners.

times fed to farm animals, according to U.S. researchers. Meat, too, is heavily subsidized and very inexpensive; in fact, meat prices were last raised in 1962, reportedly setting off riots. But, unlike bread, meat is hard to find in anything resembling the quantity, freshness, and variety that Americans take for granted.

"The Soviets would eat more like Americans, if they could," says Malish. "Their diets are constrained by the scarcity of many foods and the production, consumption, and import priorities set by central planners."

Government planners hope to put more animal protein and more fruits and vegetables on Russian tables. Goals for 1990 call for a 22-percent increase from 1982 levels in per capita meat consumption, as well as increases for both dairy products and eggs. Dairy and egg figures already look impressive next to U.S. numbers, but Malish speculates that Soviet data may not discount for serious spoilage and loss problems before products—particularly perishables—ever reach cities.

If 1990 plans are met, Russians would also be eating around 60 percent more fruit than they do currently, nearly 30 percent more vegetables, and 40 percent more vegetable oil.

Although Malish expects to see progress by the end of this decade, he contends that the goals seem to be overly optimistic given the record of Soviet agriculture. And even the planned levels, he notes, would leave the Soviet diet far short of most of the consumption norms established by the Institute of Nutrition of the Soviet Academy of Sciences.

Leaders

. . .in Military Cuisine

Both the Soviet and the American Army Menus Are Designed To Provide Needed Calories and Nutrients, But the American GIs—Like Their Civilian Counterparts—Have the Wider Nutritional Margin and the Clear Advantage in Choice and Variety

SOVIET ARMY MENU	U.S. ARMY MENU
Breakfast	
Boiled meat	Creamed beef on toast
Rice kasha (mush)	Sausage patties
Eggs	Oatmeal
Bread and butter	Tomato juice, orange juice
Tea	Eggs
	Pancakes, French toast, syrup
	Toast with butter and jams
	Milk, coffee, tea
Lunch	
Salad of pickled tomatoes	Barley soup and crackers
Macaroni soup	Grilled liver
Stewed meat	Braised beef and noodles
Buckwheat kasha (mush)	Scalloped potatoes
Fruit compote	Buttered asparagus
Bread	Hot spiced beets
	Spring salad
	Fruit salad
	Assorted breads and butter
	Pecan pie, sweet cherries
	Milk, iced tea, coffee, and soft drinks
Supper	
Fried fish	Chicken cacciatore
Fried potatoes	Simmered corned beef
Bread	Steamed rice
Apples	Buttered potatoes
Cookies, candies	Mexican corn
Tea, lemonade	Chef's salad
	Three-bean salad
	Biscuits, French bread
	Banana cake
	Chilled fruit cocktail
	Milk, tea, coffee, and soft drinks

Sample Monday menus for Soviet and American soldiers were provided by the Eastern Europe-USSR branch of the Economic Research Service and are based on materials published by the U.S. Department of the Army. The Soviet menu might be supplemented by produce from the unit's "kitchen garden," at the discretion of the unit commander.

EASTERN MICHIGAN UNIVERSITY
YPSILANTI
U.S. DEPOSITORY DOCUMENT

A Trimmer Industry Makes a Meatier Hog

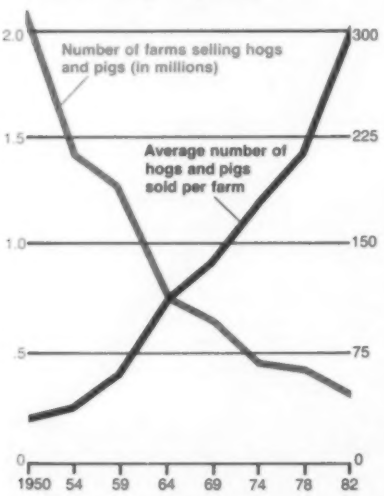
It's leaner and meatier. Like a prize porker, the U.S. hog industry has trimmed down and, some say, shaped up.

"The U.S. hog industry has been turning out about the same amount of pork for many years. Otherwise, the industry now bears little resemblance to that of 30 years ago, when over 2 million farmers produced hogs in small enterprises, all managed about alike," says economist Roy Van Arsdall of USDA's Economic Research Service. "Now there is a mix of small and large operations with old and new ways of producing hogs, but the large operations dominate production."

Van Arsdall and ERS economist Kenneth Nelson have written a report examining industry trends in recent decades.

"Change has been especially rapid in recent years," says Van Arsdall. "Fewer and larger operations draw more heavily on capital-intensive technologies, such as special housing with automated cleaning and feeding equipment. Large operations often have substantial advantages over smaller ones, signifying that the shift to larger enterprises will probably continue."

The Hog Farm Sector Moves Toward Fewer and Larger Operations



Between 1950 and 1982, the number of U.S. hog farms declined by more than 80 percent, while average annual sales per farm rose from 31 to 300 head. Furthermore, about 40 percent of all hogs are now produced by just 3 percent of the operations—those selling 1,000 or more head a year. Only 7 percent of hog sales came from such large operations in 1964.

Leaner Pork Preferred

American tastes have been changing as well.

"Per capita consumption of pork meat has fluctuated with the ups and downs of production, but on average has been stable for most of this century," Van Arsdall says. "Measured on a carcass weight basis, consumption of pork products per capita dropped from 75-85 pounds to 60-70 pounds over the 1950-80 period, but greatly reduced use of lard accounted for most of the drop. Consumption of lard fell from nearly 14 pounds per capita in the early 1950's to only about 2 pounds in 1982."

Pork represented about a third of U.S. red meat consumption in 1980, down from about half in 1950. That decline, however, was tied more to a rise in beef consumption than any significant drop in pork meat's popularity. In fact, the lean product produced today may help pork cuts compete more effectively against other red meats.

Producers have cut the fat from the typical animal raised in the 1950's, attesting, Van Arsdall says, to the "remarkable ability of the hog industry to adjust rapidly to the production of meat-type hogs in order to meet consumer preferences for lean pork." The proportion of slaughter hogs that qualified for U.S. No. 1 or No. 2 grades (which reflect a high yield of meat) rose from 50 percent in 1968 to nearly 96 percent in 1980.

Hog Production Concentrated

Hogs are produced in every state, although most operations are concentrated in or near the main grain production regions. Iowa and Illinois retained their rankings as the top two hog-producing states in the 1950-80 period, with well over a third of total output.

Between 1950 and 1980, the number of U.S. hog farms declined by 80 percent.

The North Central region, encompassing the Corn Belt-Lake states and Northern Plains, accounted for 78 percent of total U.S. hog production in both 1950 and 1980.

Kansas and Nebraska have been pacing the growth in size of hog farms in the North Central region, where 12 percent of sales in 1978 came from farm operations selling 5,000 head or more. By contrast, most companion states in the region averaged only 5 percent of sales from larger enterprises.

The Southeast leader, North Carolina, delivered 28 percent of its 1978 hog sales from operations selling 5,000 hogs or more.

The reasons for the swing to bigger operations are both numerous and noteworthy, says Van Arsdall.

Larger Producers Enjoy Advantages

Among the advantages larger hog farms frequently enjoy over their smaller counterparts, according to Van Arsdall, are more production per sow, more intensive use of facilities, more effective marketing, and lower energy, feed, and labor costs.

Certainly, economies of size have been substantial. Savings related to size include the price break large producers receive when buying inputs in volume. More notable, though, has been the decided difference in production rates.

"The largest operations are able to wean nearly eight pigs per litter compared with seven or fewer for the smallest operations," Van Arsdall says. "They

also get their sows back into production more quickly for another litter by weaning pigs at less than 4 weeks of age compared with nearly 7 weeks in the smallest operations."

Large producers use the most modern and costly facilities—at a lower average cost per head. That allows them to produce hogs intensively year-round. Their production per unit of housing, which accounts for most of the investment required in hog production, is up to six times greater than on the smallest enterprises.

Larger producers find savings, too, in labor and energy, using one-fourth the labor on average and far less energy per unit of production.

With feed, "large operations had only a slight advantage over small ones in amount of feed used per unit of production. They extended their advantage in feed costs, however, by turning for protein to soybean meal which can be bought directly from processors at wholesale prices."

Direct Selling Helps

Another advantage for big producers comes with direct selling. "Large producers sell more of their feeder pigs direct to finishers and more of their slaughter hogs direct to packers, thus avoiding many of the marketing costs paid by small producers who make less use of direct selling."

Moreover, Van Arsdall says, "bigger producers also allow more of their slaughter hogs to be valued by packers according to grade and yield, which indicates their confidence in having high-quality slaughter hogs."

Hog producers, though, are delivering their leaner hogs to a market that, at best, has only remained stable.

"Hogs did not keep pace with most of the rest of U.S. agriculture over the last 30 years in generating cash receipts from farm marketings," says Van Arsdall.

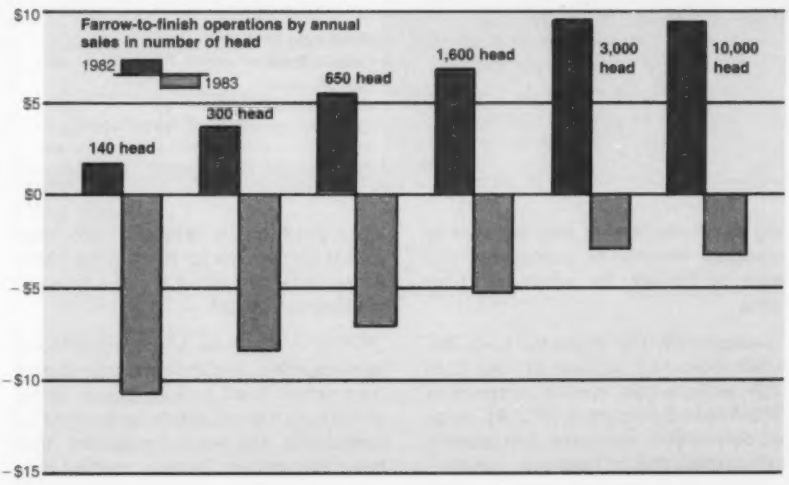
Annual cash receipts from sales of hogs averaged $3.5 billion during 1950-54 and nearly $8.8 billion during 1977-81. But this 2.5-fold rise in receipts parallels inflation over the same period.

By comparison, cash receipts from all farm marketings quadrupled, rising not

The trend toward larger and fewer hog operations is detailed in *The U.S. Hog Industry*, by Roy Van Arsdall and Kenneth Nelson. The report examines the structure of the changing hog industry, tracing the growth of larger farms and the decline in overall farm numbers from 1950 to 1980. Copies are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Telephone requests can be charged to Visa, MasterCard, or GPO Deposit Accounts (phone 202-783-3238). Cost is $4.50. Ask for the report by title and stock number 001-000-04408-7.

Larger Hog Operations Typically Make More Or Lose Less Than Their Smaller Counterparts

Receipts per cwt of sales, less cash expenses and replacement costs:



Sophisticated Systems for Feeding Hogs

Many years ago, hogs were on their own at feeding time.

The common practice called for setting various feedstuffs before the hogs and letting them decide how much they wanted of each. Unfortunately, that system wasn't ideal, says ERS economist Roy Van Arsdall.

Hogs have a sweet tooth and "may not accurately balance their own diets if left to self-select ingredients," he says.

What hogs particularly like is soybean meal, says Van Arsdall, "which is quite palatable. To prevent hogs from eating too much of it, soybean meal must be carefully combined with other feedstuffs into a complete ration" which is balanced nutritionally for optimal growth.

The hog needs the proper combination of protein and energy (calories) in its diet, but—given the choice—it may spend too much time feeding on the more expensive soybean meal.

Soybean meal is the major source of protein in hog rations, although protein can come from many other sources including byproducts of animal slaughter, fish meal, and several other oilseed meals. Many grains can be used as a source of energy, but corn is by far the most important.

"The rapidly expanding producer use of soybean meal is a major factor in the almost complete shift from the feeding of ingredients separately to the use of complete rations," Van Arsdall says. "An added advantage to the increasing preference for soybean meal is that it can be purchased in volume at wholesale prices."

Nudging along the trend toward complete rations has been more knowledge of specific nutritional requirements of hogs. The big push, however, came with the advent of equipment for properly measuring, grinding, and mixing feedstuffs on the farm, reducing reliance on commercial feed millers.

"The economic feasibility of on-farm feed processing systems is especially evident for the many large-volume hog farmers who grow a major portion of their feed requirements," says Van Arsdall.

For large producers specializing in hog production, the systems can be extensive—and expensive. In essence, these producers build a feed manufacturing plant to suit the needs of their hog enterprise.

Typically, such systems can do a lot. Beginning with drawing various ingredients from storage, the systems measure, blend, grind, and mix them. And systems are becoming more sophisticated, even delivering the rations directly to the hogs.

One system, used by many of the larger producers, moves feeds by way of high-pressure air in relatively small-diameter, underground pipes that connect a feed processing center to supply tanks at each hog building. Feed is then automatically conveyed to individual pens, without the need for the traditional scoop shovel.

On Most Types of Hog Operations, More Than Half the Feedstuffs Are Now Processed On the Farm

	North Central	Southeast
	percent of feedstuffs	
Farrow-to-finish operations		
Not processed	2	4
Custom processed	17	21
On-farm processed	81	75
Feeder pig operations		
Not processed	11	13
Custom processed	59	42
On-farm processed	30	45
Feeder pig finishing operations		
Not processed	1	4
Custom processed	22	37
On-farm processed	77	59

only with inflation but also because of increased volume of production and sales, particularly for crops and beef cattle.

Consequently, the share for hogs declined from 11.3 percent of total U.S. cash receipts from farm marketings in 1950-54 to 7.0 percent in 1977-81. Hogs had only 13.2 percent of the cash receipts from marketings of livestock and livestock products in 1979 and 1980—the lowest percentage for hogs in the 1946-81 period—compared to 20.1 of such receipts in 1950-54.

Shifting preferences for different foods by consumers, and their apparent desire for a rather fixed amount of lean pork, challenges the industry to streamline its operations. For many producers, that has meant getting larger or getting out.

"Gains by the larger producers in share of total hog production are likely to continue in the future. They have a number of economic advantages and tend to remain in production during the good and bad years alike." □

[*Based on information provided by Roy N. Van Arsdall and Kenneth E. Nelson of the National Economics Division, Economic Research Service.*]

Saving Water on Southwestern Cotton

Cotton growers in the nation's arid Southwest may have found a way "to use less water without sacrificing yields."

So say the authors of a recent ERS report, which calls drip irrigation for cotton "potentially more profitable than conventional furrow irrigation." According to the study, farmers can often cut their water needs by 30 to 50 percent over conventional methods by converting to drip irrigation.

Drip irrigation delivers water directly to the root zone of plants through small holes in flexible tubes. Far less water is needed because less is lost through evaporation into the air, runoff, and deep percolation beyond the root zone. The conventional method of irrigating Southwestern cotton is to feed water into sloping furrows that run between rows across the field.

Experiments conducted in Arizona suggest that "the benefits of reduced water application and higher yield appear greatest where energy costs of pumping are high, soils are medium to coarse textured, and the climate is hot and dry." In some experiments using drip irrigation technology, yields were raised by a bale or more per acre.

There are some drawbacks to drip irrigation. The technology involved is expensive, with installation costs ranging from $900 to $1,400 per acre—about half the cost of prime, developed, irrigated land. Moreover, new techniques for cultivating, filtering water, and applying fertilizer and pesticides must also be mastered. Finally, the effects of drip irrigation on yield are not well established.

The authors go on to say, however, that "since central Arizona conditions vary widely, we expect our analysis encompasses the profit potential for drip irrigation on cotton in other areas of the arid Southwest."

Drip Irrigation for Cotton: Implications for Farm Profits *by Paul Wilson, Harry Ayer, and Gary Snider. (Published July 1984; 29 pages of text, tables, charts; GPO Stock No. 001-019-00346-4; $2.00)*

Rural Elderly Face Housing Problems

Most elderly people in the United States live in adequate housing, but 27 percent of rural elderly renters and 18 percent of all the elderly living in the South have inadequate housing. These findings are based on 1979 Annual Housing Survey data recently analyzed by the Economic Research Service.

A major factor contributing to inadequate housing is the low incomes of the elderly. In 1979, 29 percent of the rural elderly had incomes below the poverty level, far greater than the 10 percent for the rural nonelderly.

The number of rural elderly households increased 16 percent between 1974 and 1979, compared with an increase of only 10 percent for all U.S. households. In 1979, 15 percent of the rural elderly lived in inadequate housing compared with 8 percent of the urban elderly.

Housing is considered inadequate if it has one or more of the following flaws, among others: incomplete plumbing facilities, incomplete kitchen facilities, leaking roof, holes in walls or ceilings, and exposed wiring.

Other findings in this study:

- Forty-five percent of the inadequate housing units of the rural elderly are regarded as severely inadequate, with two or more housing flaws.
- The rural South has the highest percentage (10 percent) of severely inadequate housing, especially among renters.
- Many rural elderly have trouble affording their homes. In 1979, 20 percent of the rural elderly living in adequate housing spent more than 30 percent of their incomes for housing.

Housing of the Rural Elderly *by Gail D. Arnold. (Published July 1984; 11 pages of text and tables; GPO Stock No. 001-019-00335-9; $1.50.)*

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Dressed To Compete: Angora Goats Fight for a Share of Fiber Markets

In parts of Texas, mohair and the Angora goats that produce it are big business.

Just take a look at Jesse Lockhart's ranch. Lockhart raises 3,000 Angora goats on 15,000 acres of the hottest, driest range in the state. The land and goats have been in Lockhart's family for four generations.

Climate and terrain limit many types of agricultural enterprises in this part of Texas, but the goats thrive, says USDA economist Keith Collins of the Economic Research Service. "Without spending a fortune on irrigation, field crops wouldn't make it and, except for sheep, other livestock cannot withstand the heat, droughts, and rugged countryside."

In 1978, the last year inventory and sales data were available by state, Texas accounted for 88 percent of the nation's Angora goat herd and 92 percent of mohair production. Arizona and New Mexico were a distant second and third in both categories.

Surprisingly, Michigan has a growing industry, according to Robert Paschal of the Mohair Council of America, the industry's promotional organization. "But the northern climate is so different from where the goats have traditionally thrived, new production and management techniques need to be perfected," Paschal says. "It will be a few years before Michigan's herd makes much of an impact on the industry."

While Texas has the corner on domestic mohair production, the fiber is virtually insignificant when compared with the total U.S. fiber market. On average, nearly 48 pounds of manmade and natural fibers are used each year for every American. Mohair accounts for less than an ounce of this. "Still, the light and fluffy mohair fiber symbolizes luxury to many people," Paschal says. "Some manufacturers include small amounts of mohair in their blends just to attract consumers."

They track the nation's fashion trends, looking to promote the use of mohair.

Like wool, mohair production declined after World War II. The number of Angora goats clipped in Texas exceeded 4 million during the war, but dropped to a low of 2.1 million in the early 1950's.

There was a brief period of revival during the late 1950's and early 1960's when economic growth spurred the demand for all fibers, says USDA's Collins. The Texas Angora goat herd peaked at 4.6 million in 1965. But as manmade fibers took more and more of the market, mohair's momentum could not be sustained. The number of Angora goats started downward again, with numbers finally dropping to 950,000 in 1976. Numbers have risen slowly since then. On January 1, 1984, the Texas herd count—at 1.15 million—was the highest since 1974.

All in all, mohair is considered a specialty fiber. Its limited appeal can generally be traced to one factor: price. Mohair costs about four to five times more than cotton, wool, or polyester, Collins says.

Of course, price is relative. Raw mohair comes from both Angora goats and Angora rabbits, with the latter commanding a substantially higher price. Last year's world price for raw mohair from China's Angora rabbit crop averaged $90 a pound. "Compare that with our price of $7 a pound for the finest domestic raw mohair," Paschal says.

Domestically, the average goat produced 7.8 pounds of angora fleece last year, with shearings twice a year. Fleece weights were much lower a few decades ago, averaging only 4.9 pounds during the 1940's. Increased fleece weights are primarily due to better nutrition and management practices, according to Paschal.

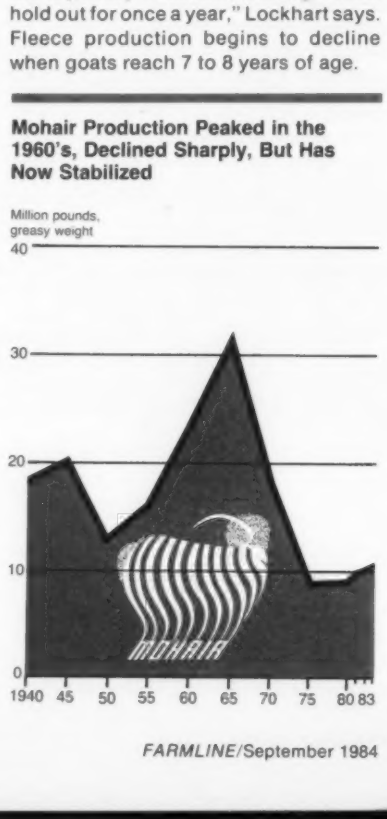
No Tin Cans, Please

Contrary to the reputation of their species, Angora goats won't eat tin cans and garbage. "They are actually rather fastidious about their eating habits and will turn up their noses at soiled hay or grain," goat rancher Lockhart confides, referring to his large herd.

Although the goats adapt well to pasture, hay, or grain, Lockhart feeds a combination of the three, along with some added nutrients, a meal he says is somewhat scientific in composition. "You don't want to feed too many nutrients or the coat will become too coarse," he says. "You've got to keep track of your feed ratios and clipping grades to make the necessary adjustments from time to time."

Clipping starts when the kid (young goat) is about 6 months old. The fiber from the first clip is so fine, producers get premium prices for it. "Most producers clip every 6 months, although some hold out for once a year," Lockhart says. Fleece production begins to decline when goats reach 7 to 8 years of age.

Mohair Production Peaked in the 1960's, Declined Sharply, But Has Now Stabilized



Mohair is a long, strong fiber made from the coat of the Angora goat. Photo courtesy of the Mohair Council of America.

Because the mohair fiber is somewhat brittle, it is generally used in blends with wool and, in a few cases, with acrylic fibers. Mohair's special qualities include luster, resilience, resistance to wrinkles, durability, and softness. The finer grades (with the thinnest fiber diameters) are used for fine knitting yarns, sweaters, and other apparel. Coarser grades generally end up in the thicker yarns and even in paint brushes and industrial materials. In recent years, domestic mill use of mohair has ranged between 600,000 and 800,000 pounds annually, only 8 to 10 percent of U.S. production. Exports are the major market. As a result, world prices, supplies, and demand can have a big impact on U.S. Angora goat ranchers, such as Lockhart, and the prices they receive.

Top Producers and Exporters

This is how world production measures up: Major producers are South Africa, the United States, and Turkey. South African production—about 40 percent of the world total—declined in the mid-1960's, but has trended up during the 1970's and early 1980's. South Africa's Angora goat herd produces a premium mohair and has the world's highest yields. The nation also has a very aggressive selling and pricing organization, Collins says. Frequently, world prices take their cue from the South African crop.

The major producers are also the major exporters. The United States accounts for about a quarter of the exports of the major traders. U.S. exports soared in 1983 to the highest level since 1972 because of reduced production in South Africa. Virtually all U.S. exports go to Europe, especially to the United Kingdom which is the world's largest importer of raw mohair.

What's the future for mohair? Growth in U.S. mohair output will depend on demand by export markets, particularly in developed countries which account for most U.S. exports, according to Collins. "Their economic growth will improve in the 1980's and could help U.S. exports."

However, mohair's high and sometimes unstable price will tend to keep it in the category of a specialty fiber for only high-priced, better quality uses, Collins says. Continued competition from other natural fibers, manmade fibers, and South African and Turkish mohair will probably prevent U.S. mohair exports from gaining significantly, which will also limit incentives for increasing U.S. goat numbers.

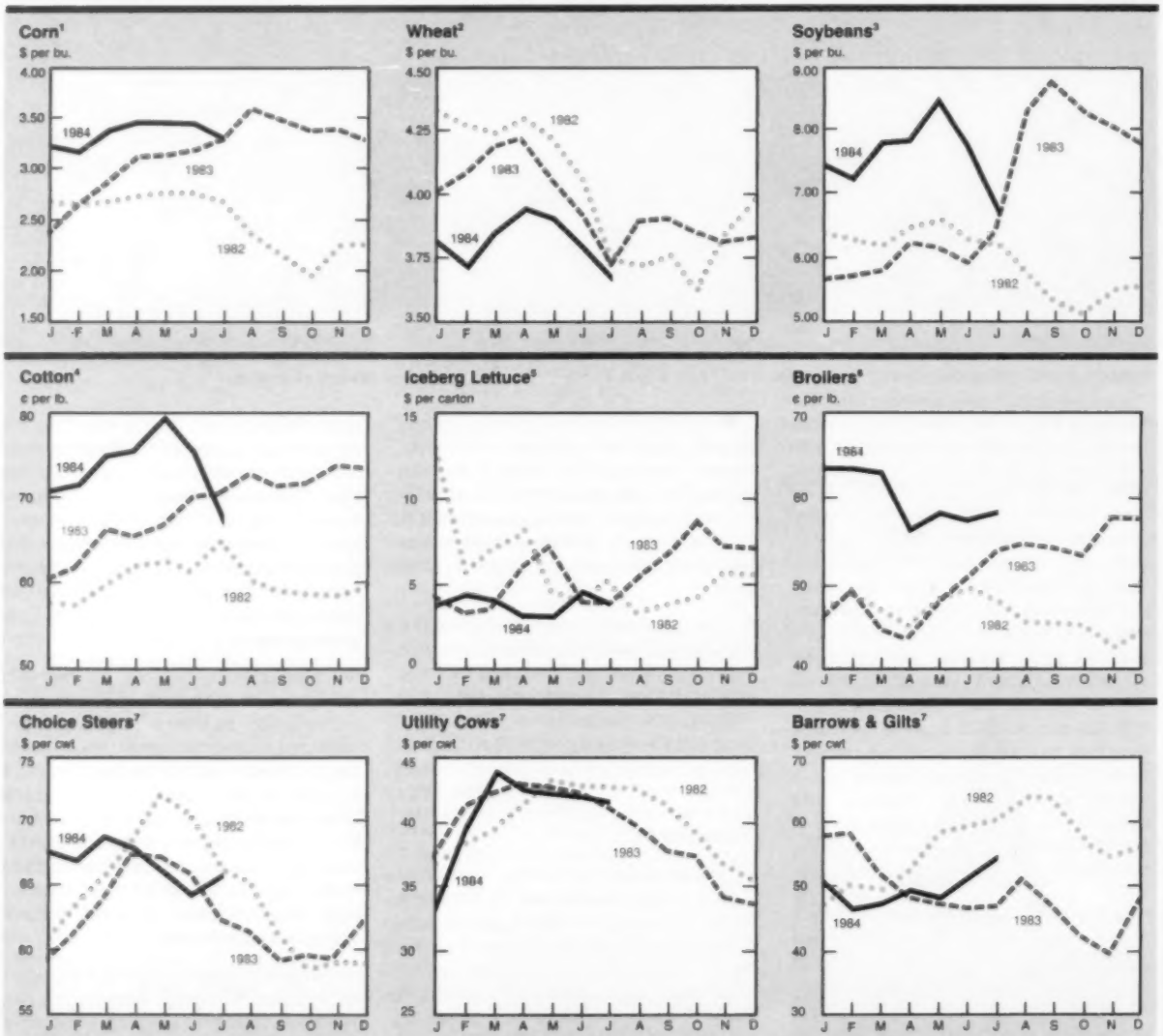
Rancher Lockhart knows his markets are limited, but he has no intention of quitting the business anytime soon. Instead, he, Paschal, and others work to promote the increased use of mohair. The New York City branch of the Texas-based Mohair Council continually tracks the country's fashion trends. "Our objective is to add to the amount of mohair used in textile blends," Paschal says. "Just a fraction more can mean a whole lot to producers." □

[Based primarily on information provided by economist Keith Collins of the National Economics Division, Economic Research Service.]

FARMLINE TRENDS

Monthly Price Monitor

USDA's July index of farm prices decreased seven-tenths of 1% from June but was 9.2% above the year-earlier level. For crops shown below, wholesale market prices were all down. Corn slipped 16¢ a bushel, and wheat lost 13¢. Soybean prices dropped again, plunging $1.76 since May to the lowest price in a year. Cotton was down 8¢ a pound to 67.4¢, the lowest since May 1983. The livestock area did better. Gains were recorded for broilers and choice steers; barrows and gilts jumped $3.40 per cwt to the highest level since February 1983. Utility cow prices dropped.



[1]No. 2 yellow, Central Illinois. [2]No. 1 HRW, Kansas City. [3]No. 1 yellow, Central Illinois. [4]SLM 1-1/16" spot market price. [5]Standard carton 24's, California-Arizona. [6]Wholesale, New York. Monthly average prices since May 1983 may not be strictly comparable with prices for previous months. [7]Omaha.

America's Leading Trade Partners

Customers and Suppliers, 1983*

	Customers		Suppliers	
	Our top farm product customers by value of U.S. agricultural exports (1983 total: $36.1 bil.)	Our top nonfarm product customers by value of U.S. nonagricultural exports (1983 total: $159.9 bil.)	Our top farm product suppliers by value of U.S. agricultural imports (1983 total: $16.6 bil.)	Our top nonfarm product suppliers by value of U.S. nonagricultural imports (1983 total: $240.1 bil.)
	in millions of dollars (000,000)			
1st	Japan **6,251**	Canada **35,073**	Brazil **1,655**	Canada **50,478**
2nd	Netherlands **2,576**	Japan **15,268**	Canada **1,504**	Japan **40,719**
3rd	Mexico **1,942**	United Kingdom **9,446**	Mexico **1,279**	Mexico **15,339**
4th	Canada **1,844**	Saudi Arabia **7,340**	Australia **805**	West Germany **12,317**
5th	South Korea **1,840**	West Germany **6,915**	New Zealand **590**	United Kingdom **12,294**
6th	West Germany **1,529**	Mexico **6,816**	Colombia **570**	Taiwan **11,029**
7th	USSR **1,473**	France **5,311**	Indonesia **567**	South Korea **7,102**
8th	Taiwan **1,308**	Netherlands **5,080**	France **523**	Hong Kong **6,340**
9th	Spain **1,207**	Belgium-Luxembourg **4,093**	Netherlands **508**	France **5,370**
10th	Egypt **969**	South Korea **4,060**	Philippines **497**	Italy **4,943**

*Figures not adjusted for transshipments from "intermediary" buyers to final destinations.

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